



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

MEETING DATE: November 15, 2019

HCR19-116

ORIGINATING DEPT: Financial Services

BOARD REPORT: 2019 Procurement of Workers' Compensation Insurance Coverage

CONTACT: Tracey McDermott, 619-578-7737

EXECUTIVE SUMMARY OF KEYFACTORS:

- Housing Commission staff is asking for authorization to procure workers' compensation insurance coverage from CHWCA in an amount not to exceed \$590,000 or 36% increase from last year's premium, with effective dates of January 1, 2019, to December 31, 2019.
- The Housing Commission currently procures its workers' compensation insurance coverage from the CHWCA insurance pool. The California Housing Workers' Compensation Authority (CHWCA) is a Joint Powers Authority (JPA) established in 1991 by public housing authorities in the state of California. CHWCA has 33 member agencies/Housing Authorities. A Joint Powers Authority (JPA) is a viable alternative to commercial insurance because it generally provides a more comprehensive coverage program than regular commercial insurance companies offer and is not profit-driven.
- The California Housing Workers' Compensation Authority (CHWCA) has met all of the stringent professional standards established by the California Association of Joint Powers Authorities (CAJPA) in the areas of governance, finance, claims control, safety and loss prevention, excess coverage, and risk management. CAJPA's accreditation process requires reviews by independent consultants in all of the foregoing areas, including accounting, claims management, and actuarial analysis. CHWCA is proud to have received an "Accreditation with Excellence," the highest designation possible from the California Association of Joint Powers Authorities.
- Staff and its broker plans to conduct comprehensive marketing of SDHC Workers' Compensation Insurance Coverage next year for the policy year beginning January 1, 2021 to ensure the Commission has the most effective insurance program design, with the broadest terms and conditions, at the most competitive premium available.



REPORT

DATE ISSUED: November 15, 2019

REPORT NO: HCR19-116

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of November 15, 2019

SUBJECT: 2020 Procurement of Workers' Compensation Insurance Coverage

COUNCIL DISTRICT: Citywide

REQUESTED ACTION

Seven-day advance notice of San Diego Housing Commission (Housing Commission) hearing of the following matter has been provided to the Housing Authority Members pursuant to the provisions of San Diego Municipal Code Section 98.0301(e)(4)(a)(b)

Approve the procurement of workers' compensation insurance coverage from the California Housing Workers' Compensation Authority in an amount not to exceed \$590,000 or 36 percent increase from the 2019 premium, with effective dates of January 1, 2020, to December 31, 2020.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) take the following actions:

- 1) Approve the procurement of workers' compensation insurance coverage for the Housing Commission from the California Housing Workers' Compensation Authority (CHWCA) in an amount not to exceed \$590,000 or 36 percent increase from the 2019 premium, with effective dates of January 1, 2020, to December 31, 2020; and
- 2) Delegate to the President & CEO of the Housing Commission, or designee, authority to approve and enter into contracts for worker's compensation insurance, in subsequent years, without action by the Housing Commission Board of Commissioners (Board), provided that sufficient funds to acquire such insurance have been included in the applicable Housing Authority-approved budget. The Housing Commission Board and the Housing Authority shall be notified of all such contracts in informational reports to be provided to the same, in the first quarter after the contract has been approved by the President & CEO, or designee.

SUMMARY

California law requires employers to have workers' compensation insurance. The Housing Commission currently procures its workers' compensation insurance coverage from the CHWCA insurance pool. The California Housing Workers' Compensation Authority (CHWCA) is a Joint Powers Authority (JPA) established in 1991 by public housing authorities in the state of California. Currently CHWCA has 33 member agencies/Housing Authorities. JPA is a viable alternative to commercial insurance because it generally provides a more comprehensive coverage program than regular commercial insurance companies offer and is not profit-driven. Benefits of a JPA include flexibility in determining coverage programs, risk control activities, funding levels, premium collection, and dividends.

Additionally, members have greater control over claims and related costs and also experience more premium stability and less year-to-year rate fluctuations.

The Housing Commission's 2020 premium is set to be \$590,000—a 36 percent increase from the 2019 premium (Table 1).

This premium increase is due to the Housing Commission's Experience Modification ("Ex-Mod") increase and the increased number of Full-Time Equivalent (FTE) positions, as well as the associated personnel cost increase.

Ex-Mod is a rating mechanism used in the American insurance business and more specifically in workers' compensation insurance. It is the adjustment of annual premiums based on previous loss experience. Usually three years of loss experience are used to determine the experience modifier for a workers' compensation policy, which means that every loss impacts the Housing Commission's Ex-Mod for a full three years.

This year, the Housing Commission's Ex-Mod increased slightly from 0.928 in 2019 to 1.027 in 2020 (Table 2), even though the Housing Commission's losses have been trending favorably. This is due to the agency's previous years' losses and the way Ex-Mod is being calculated.

Comparing the two years' Ex-Mods, the 2020 Ex-Mod declined from the 2019 computed 1.155 (i.e., what it could have been), but rose from what the agency was actually charged, 0.928. In other words, the seemingly large increase was caused not by rates going up in 2020, but rather by 2019 contributions being suppressed by the Ex-Mod cap.

Secondly, the increased number of Full-Time Equivalent (FTE) positions, the associated increase of personnel cost, as well as the previous years' losses contributed to the premium increase.

Table 1:

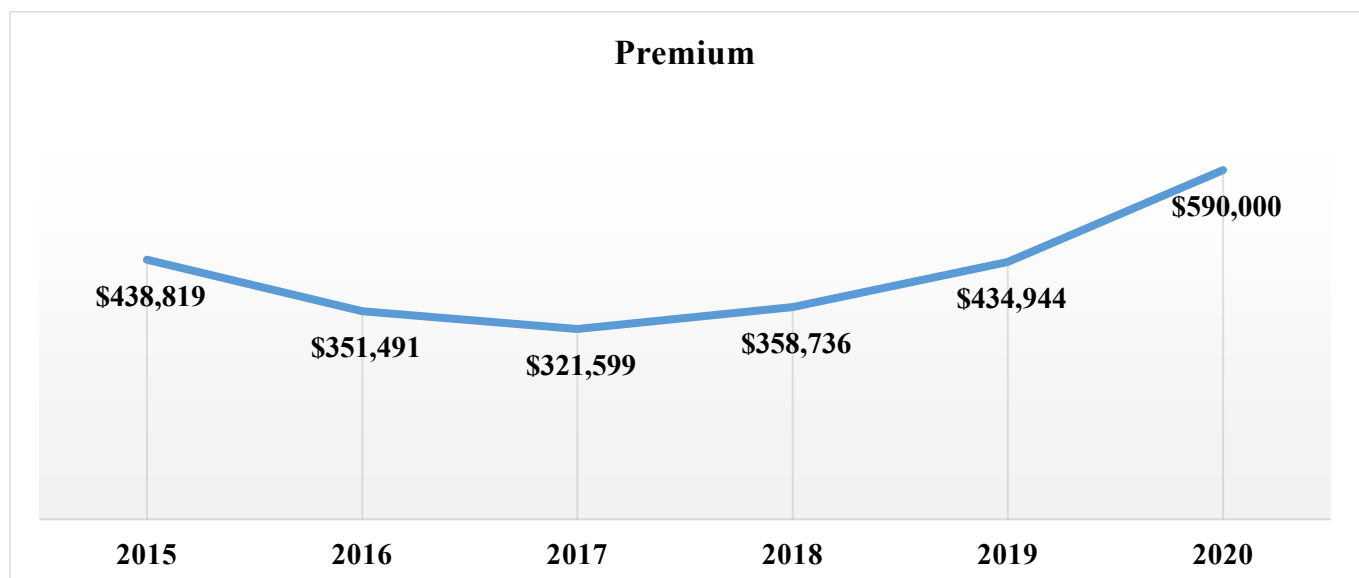
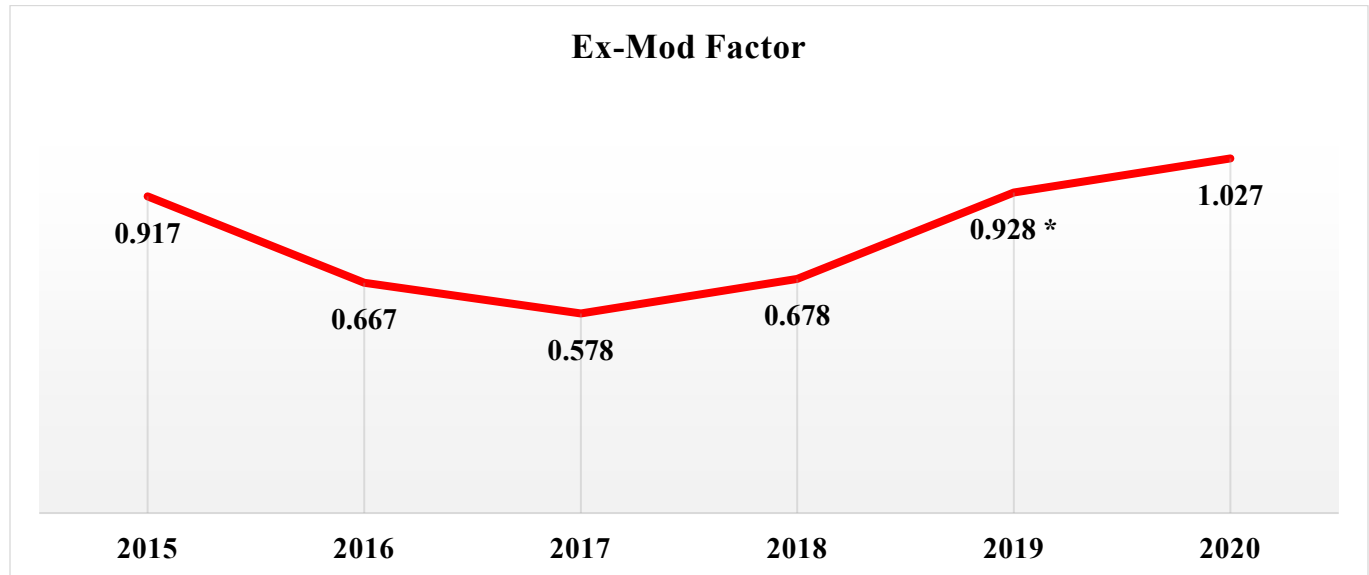


Table 2:



** The 2019 Ex-Mod was capped. In 2019 the Housing Commission “earned” an Ex-Mod of 1.155, but due to limitations on year-over-year changes, the agency received an Ex-Mod of 0.928.*

Staff and the Housing Commission’s broker plan to conduct comprehensive marketing of the Housing Commission’s Workers’ Compensation Insurance Coverage next year, for the policy year beginning January 1, 2021, to ensure the Housing Commission has the most effective insurance program design, with the broadest terms and conditions, at the most competitive premium available.

FISCAL CONSIDERATIONS

The proposed Fiscal Year (FY) 2020 funding sources and uses approved by this action were approved by the Housing Authority in the FY 2020 Budget. Approving this action will not change the FY 2020 Total Budget.

Funding sources for the portion of the policy year from July 1, 2020, to December 31, 2020, will be budgeted in FY 2021.

PREVIOUS COUNCIL and/or COMMITTEE ACTION

On November 17, 2018, the Housing Commission Board of Commissioners authorized the procurement of workers’ compensation insurance coverage from CHWCA in an amount not to exceed \$434,934, with effective dates of January 1, 2019, to December 31, 2019.

ENVIRONMENTAL REVIEW

The purchase of insurance is exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3), under the common sense exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment. This activity is also exempt from the National Environmental Policy Act (NEPA) pursuant to Section 58.34(a)(6) of the Title 24 Code of Federal Regulations.

Respectfully submitted,



Tracey McDermott
Sr. Vice President &
Chief Financial Officer
Financial Services Department

Approved by,



Jeff Davis
Executive Vice President &
Chief of Staff
San Diego Housing

Hard copies are available for review during business hours at the security information desk in the main lobby and the fifth floor reception desk of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials in the "Governance & Legislative Affairs" section of the San Diego Housing Commission website at www.sdhc.org